

Message Text

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PAGE 01 MILAN 01285 100846Z

ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 ERDA-07 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 FEAE-00 FPC-01 H-02
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05
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FM AMCONSUL MILAN

TO SECSTATE WASHDC 5529

INFO AMEMBASSY ROME

AMCONSUL GENOA

AMCONSUL TURIN

UNCLAS MILAN 1285

E.O. 11652: N/A

TAGS: ECON, ENRG, EQIP, ETRD, IT

SUBJECT: ITALIAN POWER AND ELECTRIC EQUIPMENT INDUSTRY FLOURISHING

REF MILAN A-022

1.SUMMARY. JUST COMPLETED DISCUSSIONS WITH REPRESENTATIVES OF ITALY'S POWER AND ELECTRICAL EQUIPMENT INDUSTRY, KEY SUPPLIER OF EQUIPMENT FOR ITALY'S ENERGY PROGRAM AS WELL AS BIG FOREIGN EXCHANGE EARNER, HAS GIVEN US IN DEPTH LOOK AT IMPORTANT SLICE OF CURRENT ITALIAN ECONMY. CERP REPORT WHICH WE SUBMITTED AS MILAN A-022 DESCRIBES INDUSTRY WHICH WENT GENERALLY WELL IN 1976, BUT WHICH STILL LOOKS FORWARD TO UNCERTAIN FUTURE. SECTOR'S LARGESTSUCSESSES WERE IN FOREIGN TRADE, WHERE MANUFACTURERS' CONSORTIUM, GIE, IS DOING BOOM BUSINESS EXPORTIN COMPLETE POWER STATIONS TO COUNTRIES THROUGHOUT WORLD. END SUMMARY.

2. WITH CAPACITY UTILIZATION GOOD AND PRODUCTION UP, ITALY'S POWER AND ELEECTRIC EQUIPMENT INDUSTRY APPEARS ON SURFACE TO BE IN GOOD SHAPE. EXCELLENT PROGRESS HAS BEEN MADE IN SEVERAL PROBLEM
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AREAS OF RECENT YEARS. LABOR HAS BEEN UNUSUALLY COOPERATIVE DURING PAST 12 TO 18 MONTHS AND LABORCOSTS, THOUGH STILL HIGH, ARE BEING OFFEST BY WOEKRE PRODUCTIVITY GAINS. INVESTMENT, THOUGH NOT EXCEPTIONALLY HEAVY, HAS BEEN STEADY. EXECUTIVE OF ONE FLOURISHING MANUFACTURER TOLD US COMPANY IS WORKING AT NEAR FULL CAPCITY AND HAS ORDERS THROUGH 1981, ENVIABLE POSITION FOR ANY ENTREPRENEUR.

3. ONE DARK CLOUD HANGING OVER INDUSTRY IS LACK OF DOMESTIC SALES. DOMESTIC ORDERS ARE SCARCE AND MAY BECOME EVEN MORE SCANTY ON ACCOUNT OF ITALY'S PLANNED TRANSITION FROM CONVENTIONAL POWER TO GREATER DEPENDENCE ON NUCLEAR POWER GENERATION. WHILE STATE OWNED ELECTRICAL UTILITY ENEL'S NEW ORDERS FOR CONVENTIONAL EQUIPMENT HAVE CEASED ALTOGETHER, BATTLE OVER HOW MANY REACTORS TO BUILD, WHERE TO BUILD THEM, AND HOW TO PAY FOR THEM HAS BECOME SO LONG AND DRAWN OUT THAT SECTOR'S MANUFACTURERS HAVE HAD TO LOOK ABROAD FOR ORDERS TO SURVIVE. THIS THEY HAVE DONE THROUGH THEIR CONSORTIUM GIE WITH ENERGY AND TALENT REMINISCENT OF THEIR MERCHANT FOREBEARS. INDUSTRY TURNED SECTOR'S 1974 TRADE DEFICIT INTO 1976'S TWO HUNDRED MILLION DOLLAR SURPLUS.FINA

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